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ENRON ALL-EMPLOYEE MEETING

with Kenneth Lay and Jeffrey Skilling

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P R O C E E D I N G S

MR. LAY: Good afternoon. We're starting just a couple of minutes late because we've had such a big crowd, trying to give people a chance to come on in. We have still got plenty of seats around, ladies and gentlemen. But delighted with the turnout today.

Jeff and I are going to bring you up-to-date again on the company's activities. We're going to talk a little bit about the financial overview, and of course shareholder return. We always like to talk about shareholder return when our shareholders are doing well. We are going to talk about the operating highlights of the businesses, as well as an SAP update, and then we are going to talk about workplace activities. You saw some of this coming in, but we're going to talk about the new headquarters building, we're going to talk about diversity and talk about vision and values.

But it has been a while since we've had a meeting like this, and we are delighted with such a tremendous turnout. The presentation may be just a little bit longer than usual, but we'll still have plenty of time for Q&A at the end. So keep your--I hope you've got cards at your seats, as usual. If you have questions, please jot them down, and we'll make a pass at them right at the end of the

presentation.

Again, we've gone through most of this. We'll slip right on into--Enron has enjoyed a decade of really strong growth. I mean, we all know what's been happening recently, but if you look back over the last 10 years, our businesses have grown tremendously.

If we look at our oil and gas production during this period of time, up about two-and-a-half-fold, from about 150 billion cubic feet equivalent back in '88 to 417 bcf equivalent last year. Of course, again, in addition to some really strong growth in North America, mainly from very successful drilling activities, we've added international production in Trinidad, and of course in India, but all of that together has really shown strong growth.

The natural gas pipelines, again, equally strong; again, well, over a twofold increase in throughputs during this period of time from about 5 billion cubic feet a day to over 11 billion cubic feet a day, as we've not only expanded our North American pipeline significantly, but we've added pipelines in Columbia, in Bolivia, and now Brazil and Argentina. So strong growth in our pipeline operations.

If you look at the wholesale business, of course, tremendous growth. I mean, this was a business that we were

hardly in 10 years ago or just getting started 10 years ago. Of course, today, we're by far the leader, as we supply more electricity and natural gas in North America than anybody else. And let me say this year our team expects to become the largest supplier of oil, not oil and gas, but natural gas and electricity in the U.K., and we're already the largest supplier of electricity in the Nordic countries, and moving on to the continent, we're already by far the leader in new transactions there, as that market, electricity market, began deregulating in February of this year.

And, of course, if we look at our activity in power generation, we have, of course, currently, both operating and under construction, financed and under construction, about 12,000 megawatts. That would make us one of the largest utilities in this country. And, again, we have done that in a matter of just a few years, not over a century. So, again, good, strong growth in those measurements.

And, of course, that has led to good return to our shareholders during this decade. Even without reinvesting dividends, with just the increased stock price, our shareholders got a total return of over 600 percent, about a sevenfold increase in their investment during this decade.

And that's one-and-a-half times the return for the S&P 500 in what is now viewed as the largest or the strongest bull market in our history, and, of course, the Dow Jones, again, one-and-a-half times that and about three times the return that shareholders of our peer competitors, which are basically the other natural gas pipeline companies, which is the way this all got started in 1988.

Total net income continues to grow at a very strong rate for the company. First quarter was a good quarter, good momentum building up for this year, continuing the growth of the last few years. For the first quarter this year, for the first time in the company's history, our after-tax net income exceeded a quarter of a billion dollars. Strong growth from first quarter last year.

Earnings per share was also up, but again, since we had a very large equity issue during the quarter, that increase, on a percentage basis, was much less than it was in total net income, but again exceeded the expectations of Wall Street, and again indicated that we continue to show good growth, and good momentum in all of our business activities.

Of course, that's contin--the return to the shareholder is continuing into this quarter. After almost a

40-percent return to shareholders in 1998; again, about one-and-a-half times the S&P 500 return. Thus far, this year, our shareholders have had about a 28-percent return. Now that is through last Friday, but that would be pretty much through today. We were up, of course, a little yesterday, down today, so we're about the same as we were last Friday, but 28-percent return for the first four-and-a-half months of the year, compared to a little less than 10-percent return for to S&P 500, about a 20-percent return for the Dow Jones, and of course about a 12-percent return for our peer group.

So the Street, and the portfolio managers are continuing to recognize what, what's happening here and give us good price appreciation for our shareholders for it.

Now, with that, I would like to turn it over to Jeff and let Jeff take up some of the operating highlights and the SAP update.

MR. SKILLING: Thanks, Ken.

What I'll do is go through each of our business areas so you can see how all of the businesses are doing right now, if I could just find it on the page here.

Okay. Starting off, first, I'd like to make one quick comment about just the change in the nature of the

businesses and their growth prospects for the future, which I think we saw in full evidence in 1998, first quarter of 1999. But if you go back in time, and this really I think embellishes some of the discussion that Ken just went through about the fundamental change in the nature of our business over the last decade.

This chart really lays out the businesses that we had in place at the beginning of the decade, and it just shows the size of the circles are proportionate to the value of each of these businesses, and it kind of plots them out against growth rate of those businesses and the extent to which we were upstream or downstream. Obviously, being downstream offers some additional opportunities to differentiate a product and presumably get more profitability, but this is a map of what our business looked like in 1990. See, EOG, liquids, GPG were our big businesses. You see little, tiny beginnings of businesses in the international markets in our domestic gas marketing activities.

This is what that chart looks like today--just an enormous change in the mix of businesses and the prospects for those businesses in the future. What you can see is we have retained virtually all of the businesses we had at that



time, with the exception of the liquid business, which we exited over the last couple of years, but you also see the enormous growth and potential in our merchant businesses, our wholesale businesses, our new retail business, and our communications business.

Those businesses all have extremely strong growth prospects for the future, and they are pretty far downstream. So we are directly dealing with customers which gives us the opportunity to differentiate our product and presumably make more money in the process. You also see Portland General as an addition in the lower growth, but strong cash generation and earnings generation businesses of the company.

But this is a remarkable transformation of a company. There is no one else in our industry that's made this type of transition, and it positions us, I think, extremely well for the future because we have a great opportunity to maintain high growth rates and high profitability in our business by just continuing to do what we've done for the last decade.

As Ken said, that has been rewarded by the stock market. What this chart shows is Enron's stock performance since the end of 1989 versus the pipeline average and the

E&P average. The importance of this is if you look at the way we started the decade, we were primarily a pipeline and E&P company. Had we stayed there, our performance probably would have tracked those averages, the yellow and the green line. The actual is the red line, and I think it shows the impact that intellectual capital is bringing, new ideas and creativity the business has had on the value of the company to our shareholders.

I think we're doing that in all of our businesses. I will walk through all of our businesses very quickly, starting with exploration production. In that segment, we have got our share of EOG and hedges that we enter into at the corporate level, through hedge commodity price volatility for our share of the earnings and cash flow that come from EOG.

Our transportation and distribution segments, which includes GPG and Portland General, the wholesale business, which covers all of our wholesale activities worldwide, the two units in ECT, North America and Europe, and Enron International, our new retail business, and then I will talk to you very briefly about the new businesses, Enron communications and the Azurix.

Starting first with exploration and production

business, and we'll be talking more about this later in the Q&A session, but as you know, we did have an offer to purchase EOG. That offer has now terminated. The performance of the company, though, even with all of the controversy and confusion surrounding that, has been very strong.

This chart shows quarterly performance and production volumes in EOG, and what you can see is continued strong growth. In our largest market, North America, volumes increased over 4 percent. In India and Trinidad, we saw growth rates of 56 and 34 percent, respectively, so continued strong growth in volumes.

We have hedged out all of the price exposure, our share of the price exposure for the rest of this year, and the prices for the rest of this year are about \$2.29 for the natural gas and about \$16 per barrel of oil. So, at this point, if we can continue the strong volume growth with those prices that we've locked in, we should have good earnings performance from EOG for the remainder of the year.

Our transportation and distribution segments. The highlights for the year: On GPG, we completed the open season for Transwestern's expansion to California. That will be 140 million cubic feet a day expansion. We are in

the process of conducting an open season for Florida Gas Transmission's next expansion, which will be Phase 5. We've brought on-line and have 95-percent utilized the expansion on Northern Border, which was completed late last year. And we continue in Portland General to see strong growth in the number of customers, and volumes, and throughout **[throughput]** in Portland General.

The chart on the left shows volumes through the pipeline network. You can see we went from about 9.1 bcf a day to 9.8 bcf a day. That reflects bringing up the Northern Border expansion. So, in spite of a relatively warm winter, we showed strong volume growth across the system. These businesses, Portland General, and GPG really underpin the rest of the company because they give us strong earnings performance and strong cash flow, which really protects and enhances our balance sheet.

The real earnings growth story for the first quarter was in our wholesale business. We just had a stunning quarter in the wholesale business. This chart shows earnings before interest and taxes in that wholesale business, and as Ken showed, this business basically didn't exist 10 years ago.

The first quarter of 1999, the EBIT number was

\$320 million. So businesses that basically didn't exist 10 years ago had an EBIT contribution of \$320 million, and it's continuing very strong growth, up 29 percent first quarter of 1999 over the first quarter of 1998. That's a growth rate that many computer companies and high-tech businesses would be very happy with.

It continues to be driven by strong growth in volumes. To put this in perspective, this 27 billion cubic feet per day equivalent--let me see if this number works out. Never mind. I thought it was a number, but it doesn't work the way I expected it to, but this is a lot of energy.

[Laughter.]

MR. SKILLING: Trust me, it's a lot of energy. But we continue to see strong growth in the volume. In fact, first quarter of 1999, an interesting thing, if you look at the colors of these bars, we saw very, very strong growth in our gas business, up about 30 percent. We continue to see good growth in our electric volumes, but this path is continuing, very, very strong growth, and that's underpinned by our positions in the different markets around the world.

In North America, this chart just gets busier and busier, but what it shows is that we put together a unique

network of assets, contracts, liquidity of markets by buying and selling natural gas and electricity that gives us the best network for the delivery of natural gas and electricity of any competitor in North America by a significant margin.

This is a tremendous asset for the company and basically cannot be replicated by our competitors. It gives us a very strong cost position, a very reliable delivery, and this will underpin continued growth in North American wholesale volumes and profitability in the future.

Another market, though, that I think we're going to be hearing a lot more about as time goes on is Europe. This chart shows volumes, and what you're seeing here is an explosion of a market. In February, the European Commission opened large segments of the market to competition for electricity on the Continent of Europe. And so on the right side of this chart, you see the composition of transactions, where we're doing business in Europe. You see the very strong performance contribution of the U.K. and Scandinavia, which were our first markets, but that little blue sliver on top is the continent.

We went from 12 transactions on the continent in the first quarter of 1998 to 545, first quarter of 1999. This market, I would predict, will look an awful lot like

the North American market 5 or 10 years from now, and we have every intention of being the largest provider of natural gas and electricity on the continent as that market opens up. So we will be seeing very, very strong growth from Europe.

We are starting to put together the same sort of network in Europe that we put together in North America, and you can see we have got a lot of activity. We opened a number of new offices on the continent last year. We started a number of relationships with various counterparties and customers all across the continent. This is going to be an important growth story for Enron in the future, and I think at this point Enron is the best situated, from a strategic standpoint, of any of the competitors in the marketplace. They are a very, very strong position for us in the future.

South America--awesome story. We have a tremendous position, a tremendous strategic position in Argentina or in all of South America. And, in fact, this network, the asset positions we've had and the market franchises we have in South America may be our strongest network in the world. We have a unique, remarkable, very powerful strategic position in South America.

I won't go through all of the specifics and lay out all of the assets and components of our position in South America, but I will tell you that we will see very, very strong growth in this business, as time goes on, and we have a very, very good position that's already starting to contribute some significant dollars for the bottom line, but I think will also contribute strong growth in the future.

Other big market I'd like to mention, in the wholesale business, is India. We started up Phase 1 at Dabhol last week. So that facility is now on-line, generating electricity in India. Also, last week we completed and closed the financing for Phase 2, which will triple the size of the power facility and put in an LNG gasification unit, which will allow us not only to fuel that plant with natural gas, but will make natural gas available for other applications on the West Coast of India in the future. This will be a very, very important market for Enron, and we should see some real strong growth in this business as time goes on.

So the story in the first quarter was the whole **[sale]** market's strong growth and profitability, but I think in the future we are extremely well positioned to continue that growth.



Let me talk about retail for just a minute. The retail business is a new business. We really started this about two years ago, and let me start at the right side of the chart. What we're doing in this market is we're providing a specific need for the customer. We give them light, conditioned air, and we will manage their facilities. That's not as easy as it sounds. In the old days, going to the left of this chart, all of our customers used to have to deal with literally hundreds of market participants to get light, conditioned air, and manage facilities, a very complex process.

What we're doing is providing a single-source supplier to outsource those activities for our customers. We put together five things, five broad capabilities that we use to do that: commodity management, delivery of the electricity and natural gas; energy information management so that we understand how people consume and how we can change that; energy asset management to make it more efficient for those customers to consume energy or transform that energy into light, conditioned air and manage facilities; facilities management; and providing capital, capital management. Those five things, those five skills allow us to package, under single source, all of those

traditional suppliers to provide that service to the customer, and it's been a big success.

In the first quarter, we did a number of significant outsource and contracts. These are just three: Ocean Spray, the Archdiocese of Chicago, the Houston Astros Stadium that we've all heard about, and we are seeing what I think will be extremely strong growth in this business for the future.

This charts shows the number of contracts that were entered into in our retail business by quarter in 1998 and the first quarter of 1999. So the way you read this is we entered into about \$800 million worth of contracts in the first quarter of 1998, \$600 million in the second quarter, \$900 million in the third quarter, and \$1.5 billion in the fourth quarter. The first quarter of 1999 we entered into \$1.7 billion of contracts.

What we've told the analysts is that we will--we are projecting a minimum of \$8 billion in overall contracts during the entire year 1999. That's strong growth. So, in 1997, we did \$1.2 billion overall; 1998, we did \$3.8 billion; this year we'll do at least \$8 billion of contracts. So just a strong, strong growth, good future business for Enron.

So that walks us through all of our traditional or core businesses. Let me talk about the two new businesses. The first one, a very exciting area, Enron Communications. What Enron Communications does is they're putting together a network. They provide high-content media applications to business--basically, very high bandwidth applications that need security and high quality. They are putting together a 20,000-mile network. By the end of this year, we will have access to most of the major cities in the United States. And then we're entering into a range of different industry partnerships with other players that allow us to provide a better service to our customers. Those three things basically give us what I call a semi-traditional telecommunications business using better technology and better services for customers.

The last one is also very interesting. We are now in the process of seeing if we can create a bandwidth trading market that will be similar to the kind of markets that we have created in electricity and natural gas. That is not so far out because, when you think about it, we are trading capacity on electric wires and in gas pipelines every day. Why should these wires be any different than those?

So we're working with the NYMEX to see if we can get a contract to trade, and we're starting to talk to customers. I think this could be an enormous market for us in the future. And in traditional Enron style, we'll be doing it very differently from everybody else in the industry, and I think that offers us a huge opportunity for growth in the future. You will be hearing a lot more about this business this year because we are really ramping up activities here, and I think it's going to be a significant contributor to the company in the future.

Azurix. As you know, last year we purchased Wessex Water in the U.K. That gave us a platform to begin expanding our water business around the world. Subsequent to that, we have entered into two additional transactions for water franchises, those **[Mendoza]** in Argentina and the Cancun franchise in Mexico, and we also acquired a company called Philip Services, which provides service capabilities.

So, from now on, we have the platform of Wessex to provide technical capability, to provide water infrastructure projects to customers. Through Philip Services, we have the ability to provide other services related to water to those customers, and now we are starting to enter into transactions to own and operate water

concessions around the world, and you'll be hearing a lot more about this probably in the next couple of weeks, but there is a lot going on here, and I think it's going to be a great new business for us in the future with high growth prospects.

So, overall, the company is in great shape. I think that's why the stock price is doing as well as it is. We have the platforms in place for business expansion and earnings growth in every single one of our businesses. What is particularly attractive is we have the leading competitive position in each of our core businesses. We are the number one player in virtually every market that we compete in. We have a proven track record of creating value in new businesses, and we have the people and skills in place for widening our unassailable advantage.

I'm chocking up here. Does anyone--it's the unassailable advantage that just did it. We had to change that. We used to say "to dominate markets." We've got to stop that. That's why I'm gagging.

[Laughter.]

MR. SKILLING: But anyway, all of this, the summary is that we are converting all of these things into increased shareholder value. Our stock price is doing well,

and it should be doing well because the company is doing well.

Let me just mention one other thing very quickly. SAP. I just wanted to mention this because I know many of you in this room are spending a lot of time on the implementation of SAP. This, I think, is going to be a great story for Enron.

We have grown a lot, and as we've grown, it's gotten harder and harder to get information because the companies are so disparate, and they're all over the world, and our old systems just weren't good at handling that. So we're in the process of installing an Enronwide solution to gather financial, procurement and project management data and to better manage that data.

We are also going to, in the near future, add a Human Resources component to the SAP program, and we'll be changing our HR systems around the world and putting them on an SAP format. This impacts everyone, everyone around the company. But due to the magnitude of this effort, I just wanted to ask everybody here to please do everything you can to assist it. This is a big, big effort underway. There's a lot going on. Anything you do to help out the process would be much appreciated. When we're done with this--I'm

going to choke, excuse me--when we're done with this, this is going to be an important platform or asset for us in managing information across the entire company.

With that, I'll turn it over to Ken to finish up, just in time.

[Laughter.]

MR. SKILLING: But thanks. The company is doing great.

[Applause.]

MR. LAY: All right. Just in case it's contagious, I'll get my water up here now.

[Laughter.]

MR. LAY: I thought he probably had planned that just so he could finally turn that last discussion over to me, the SAP discussion, but I think, really, his voice got kind of dry there.

I get to do some of the fun stuff here. We're going to talk about workplace activities now, and I want to start off by talking about diversity. This is a subject, as we've told you I think before, we devoted a good deal of our managers' conference to last fall, we're devoting a lot of attention internally to now. We think it is incredibly important to maintain the success that we've been having as

a company.

There are several different levels to this. Of course, first is intellectual capital. The real thing, as I've said for years, the thing that differentiates Enron from everybody else is our people. Increasingly, that is even more so, as we're moving into this information, knowledge-based economy, and particularly the way we're structuring our businesses. And it is, indeed, our intellectual capital, our people, that is making the difference. And we're convinced that one way we continue to expand the quality of our company and that differentiation factor in our company is to increase our diversity, which not only brings in different kinds of more talented people, but continues to create more innovation and more creativity throughout our workforce.

We are also trying, as we emphasize diversity, to expand the amount of business we're doing with vendors and suppliers that are diverse, whether it be female-run companies, whether it be minority-run companies, but companies again that bring a different dimension to the table, competition, obviously, but in fact are able to add value to what we do because of what they do.

And, of course, finally, we're trying to create an



environment that makes it conducive to bringing in a diverse workforce and particularly providing more opportunities, more encouragement, less resistance, less difficulty, less barriers to minorities and females. We think all of this combined will just continue to strengthen Enron as a company and continue to increase that unassailable position that Jeff had so much difficulty getting out a while ago.

[Laughter.]

MR. LAY: Some specifics. If you look, thus far this year, we've had 418 people that have agreed to come into our analyst associate pool. Now that's up about 360 last year, but these are 418 very bright, very talented analysts, associates. Thirty-one percent of those are, in fact, female, and about thirty-six percent are minorities.

That gives you some idea of how we're bringing in a more diverse workforce at this level in the company. And these are the, many of these young people, most of them are young people, not all of them, are the people that will, in fact, be running the company 5, 10, 15 years from now. They move up very quickly when they come out of that associate analyst pool.

Recently, we also funded and put in motion the Enron Economic Development Corp. We put \$20 million into

it. We've had another company, Wells Fargo Bank, put \$5 million into it. We're going to keep adding other monies to it, but this is set up basically to fund minority businesses in the inner city. Even Anglo firms in the inner city qualify, but most of the companies will be minority firms--again, female and minority firms.

But this is also a way for us to help stimulate the growth of good, small minority businesses, and in the process qualify them to become our vendors and suppliers and the vendors and suppliers for other companies, as well as create jobs in the inner city, and of course create wealth in the inner city, and hope in the process just to spin off even additional entrepreneurial-type firms in and around these businesses that we're stimulating the growth in. Very excited about that opportunity.

We've already I think funded three different businesses. One business, in fact, will create 400 new jobs in the inner city, a minority firm. It's a phone call center.

Also, as part of that is our urban business initiative, and this was something started by our employees; again, primarily our associate analyst employees. But this urban business initiative primarily provides consulting

services to minority firms again, minority and female-run firms. So now we're not only providing equity capital to stimulate their growth, but also business smarts to help them run better, help them understand how they can improve their businesses, how they can be more efficient, be more effective. This, again, is a group of our employees who have come together just to provide their services to these companies. Very exciting what they're doing.

And then, finally, our mentoring program. We've had a mentoring program for some time. For some employees, we're expanding that mentoring program. But, again, just a number of different initiatives to provide more opportunities, particularly for females and minorities, but trying to make our workforce more diverse, trying to make our supplier base more diverse, and in the process to make our company more creative, more innovative, more efficient, and just stronger in everything that we do, a very important initiative that we have underway.

Our vision and values. Again, to kind of go back over that, since we rolled these off or rolled these out as our kind of restructured vision and values, about two years, I think we've made a lot of progress. Beth Tilney, and her Vision and Values Task Force continue to come up with a lot

of good ideas, and again the value is very simple: respect, just treating other people the way we want to be treated ourselves; integrity, making sure that we do have absolute integrity, we're honest, we're sincere, we mean what we say, we say what we do, whether it be internally or externally; communication, and of course only can we become better if we really do communicate ideas so we have better suggestions, better ideas of how to do things; and, finally, excellence in everything that we do.

Some things that we have done recently to kind of further emphasize and really measure our success in implementing our value system, in ECT, we've had an on-line satisfaction survey, and just trying to get employees, and a great number of employees did participate, to give us their views of how we're doing on these different values, and how we can improve on them, and other ways to make sure everybody knows how important they are. That was very successful. We're now expanding that. I think part of GPG also participated in that, and we're going to be expanding that over all of the companies before year end.

You've heard about the Chairman's Award, where annually we will recognize an individual in the company, anywhere in the world, that we think particularly

demonstrates these values. Last year it was a young man in Indonesia, as you may recall. Who, in fact, singlehandedly prevented virtually a riot, and maybe some killings, during the real tough economic situation that they had, but in fact put himself at harm in order to help his neighbors, and help them get food, arrange other ways to get food before riots broke out, and maybe people were certainly hurt, maybe killed.

Certainly, part of that also is this banner behind me, being recognized as one of the, by Fortune magazine, as one of the 100 best places in America to work. The challenge now is, of course, to move even higher in that ranking. Last year was the first time that we let them even consider us. We came in I think about 76. We ought to be about No. 1, but indeed--

[Laughter.]

MR. LAY: Well, we've got a little ways to go. You've got to have big goals, but we do appreciate being on the list. I think it does show that even people outside the company--and let me say, if it helps you anyway, why an awful lot of the companies that are on that list are very small companies, companies that probably you and I have never heard of. It may be a little easier to kind of

control some things in a very small environment. So I think, as far as big companies, we rank much higher than that. But, again, proud of that, but we can do even better.

I think here is where I turn to the building. If I change control systems here--and you saw some of this when you came in, but we're excited about our new building, too, and I think that's going to be another important part of our workplace here and improving our workplace. You've seen some of this, and I'll kind of go through it rather quickly, but our architect is Cesar Pelli, certainly, one of the premier architects in the world. Some people would say the best architect in the world today. He's done a lot of dramatic buildings. Certainly, we're pleased with his work so far here, but it's going to be a really dramatic structure. It will be a new landmark on the landscape of downtown Houston, and I think, in fact, may become kind of the landmark for downtown Houston, which I will talk about in just a minute.

It will cost about \$200 million. It will have about the same number of square feet as our current building does, even though it's only 40 stories tall, where our current building is 50 stories tall, but about 1.2 million square feet of space.

Of course, the reason it has so much more square footage for fewer floors or the same square footage for fewer floors is we have the first seven floors will, of course, be mega floors, very large floors, basically, a full block in size, which will give us some tremendous new marketing areas for all of our, particularly, ECT-type or our ECT people and all that they are doing. But our marketers are convinced that these big, open floors will greatly improve their efficiency and effectiveness, and again further widen that unassailable advantage that we talked about earlier.

And then, of course, from 8 through 40, why this will be more of a typical tower, pretty much like our current tower.

This shows the view of the new tower looking from our building over to it, our current building. And, of course, among other things, you see the Saturn ring skywalk, which will be the first such skywalk in downtown Houston, we think the most dramatic such skywalk in the world. And, again, we think this will be one of those immediate views that will be shown on TV and elsewhere when people think of Enron, talk about Enron, that this is kind of a symbol of the Enron buildings.

And let me say this will be perhaps the first downtown campus for a major corporation, where, in fact, we are tying the buildings together and the parking garage in a campus-like environment. And, of course, certainly, the way we're going to design some of the public areas, and particularly the area where we have the cafeteria, and the food courts and all of that, it will increasingly look more like a campus than it will a downtown office tower.

Construction on this building will begin July of this year. The garage, which is a 1,500-vehicle garage, and for those of you still waiting for parking spaces, I'm sure you're glad about that.

[Laughter.]

MR. LAY: The parking garage will be completed by a year from this fall. So you've still got a little ways to go, but we're doing our best. We're going to try and get there. And the building will be completed so we can start moving in, at least the initial people, really two years from this summer, and we should have--kind of third quarter 2001--and we should have most of our people moved in by year end 2001.

So it's going to go quickly. We'll break ground here in less than two months or about two months, and of



course within just a little over two-and-a-half years it'll be totally done, and we'll be all moved in, and we need it because we're running out of space. As most of you know, we have a number of floors on Allen Center 3, about 600,000 square feet, about half the size of this new building.

And, of course, we continue to grow, as Jeff just went through all of the growth in our various businesses, and so we need the space. We need the big marketing-trading floors on the ground floor, and we need the garage space for sure. And we're moving as fast as we can to get all of that done.

This is just another view of this very dramatic connector between the buildings. We've got the skywalk, the circular skywalk between all three buildings, and then the two buildings and the garage. Again, this is how that would look inside of that skywalk, at least depicted here by artist drawings. Very open, a lot of glass, of course, but hopefully very congenial to walking between the buildings and visiting with one another.

This is our big entry or big ground floor in the new building. It will also have here on the main floor a bistro-style restaurant with outdoor seating. We'll have a 250-seat auditorium. Still not big enough for this meeting,

but certainly big enough for smaller meetings the company has, and even community activities. There will be other activities on that ground floor, even talking about maybe a little basketball court. I don't know, maybe some people are thinking about a hockey court.

[Laughter.]

MR. LAY: But we are going to try to make it fun, and inviting, and exciting, and something that will really reflect the energy level of this company, the fun of this company, so when people walk in there, they realize that they're visiting a different kind of company.

A couple of more pictures here, I think. Visitors-Employee Information Center; again, where people come in from the outside. We've got a community services transaction floor, and I think this does include--is that what that is? I can't really see from here that much, but indeed I think--I guess this is the floor plan for Level 6. So this is one of those big, super floors, one of the very large floors at the bottom. This will have, of course, some of our wholesale commodity service functions.

Each of these ground floors, the first six or seven floors, will accommodate up to 500 employees. And unlike our current building, we will design the bathrooms

for that many people, we will design the escalators for that many people.

[Laughter.]

MR. LAY: So we will go into this building expecting that kind of density, which we didn't in the current building back 15 years ago.

And then I think, finally, this kind of gives you an overall feel for one of those big floors. Let me say the office--the chairman's office will be on Level 7, right above this area. Jeff wanted to have a really good way to keep an eye on Ken Rice and Kevin Hannon.

[Laughter.]

MR. LAY: And, of course, there will be--all of these bottom floors will be connected, as I said, by escalators, as well as by elevators; again, offering easy access, better communications, better, more efficient delivery of messages and so on and so forth, but, again, we're very excited about this, and this will be state-of-the-art. There will be no other company, certainly in our industry, and perhaps in the world, including the financial world, that will have a more efficient area in which to conduct this kind of business than we will, which we think again will be another recruiting advantage, another

recruiting tool, again, adding to the diversity, adding to the intellectual capital, growing the number of really smart, creative, innovative people we bring into the company and continuing to wide that competitive position that we've established in this, in this industry.

And I think that's it. So now we will move to, Jeff, do you want to come back up, if you're able to talk, and we will--we've got the lights set up today in a way that you can't read anything here at the podium. So, if we kind of mess up your questions, we'll try to at least get the answers right.

"What is the predetermined stock price if Enron considers a stock split?"

That's probably fresh on many minds. As I think most of you know, we did recommend, at the annual meeting, or we did propose at the annual meeting that we increase the number of shares, authorized number of shares outstanding so that we could have a stock split if we want one. So that's been done. That was approved.

We don't really have a specific target as to when we do that. Certainly, there's advantages of keeping the stock price from being too low when you split the stock, but whether--there's not any magic whether it's going to be \$70

or \$80 or even, for that matter, \$90 or somewhat higher price, but it is something we're looking at and will continue to look at with the board of directors. And at the right point, I would be very surprised if we don't propose a two-for-one stock split.

Jeff?

MR. SKILLING: Okay. "It had to be a man who made the decision to eliminate the good things in the Express."

[Laughter.]

MR. SKILLING: "And it had to be a man who has a wife at home that doesn't work. Now, instead of using the Express for quick and reasonable gifts--\$50 for a logo shirt is not reasonable--I must go elsewhere when I need these items and blow one to one and a half hours for lunch, instead of 10 minutes, and be back at my desk. Why weren't employees asked what they wanted?"

It was a man. It was Bill Donovan.

[Laughter.]

MR. LAY: Bill, stand up, wherever you are.

MR. SKILLING: Stand up, Bill.

MR. LAY: There's Bill.

MR. SKILLING: Everyone take aim.

[Laughter.]

MR. SKILLING: Oh, you're right here.

MR. DONOVAN: [Off microphone.] [Inaudible.]

MR. SKILLING: Pardon?

MR. DONOVAN: [Off microphone.] [Inaudible.]

MR. SKILLING: Okay. Bill is going to sensitivity training.

Actually, what happened, I guess, is that Enron and--Marriott actually operates the Express-- but Enron and Marriott did a study asking people what they wanted in the Express, and what was determined was that people wanted more fresh food, not just snacks down there, but fresh food, so we needed additional space, and it was decided that the gifts were what had to give. They just needed more space, and so the gifts had to go.

Now, since they did that, a couple of other things were done to I think improve the service. There is now fresh food. The second thing is the Express is now open from 8 o'clock--I'm sorry--7 o'clock in the morning until 7 o'clock at night. So there are longer hours for people that want to go down there and shop. And since then, the sales have been up significantly. So I guess the proof is in the sales. That's the way people can vote. During peak lunch hours, because there's food offerings in the Express,

reducing some of the traffic going through the cafeteria line.

Now, as far as the shirts are concerned, the way the shirts actually work is they are very high-quality. They are--

[Laughter.]

MR. SKILLING: --50-percent dacron, 50--no.

But the way this works is Marriott is allowed to mark them up, but only by 10 percent. So that's just 10 percent above the cost of those high-quality, designer, very attractive Enron shirts.

[Laughter.]

MR. LAY: That's right. You've got to watch these men.

[Laughter.]

MR. LAY: "Will the new building plans include free employee parking instead of the contract parking we currently have to deal with?"

[Applause.]

MR. LAY: Not too long ago you just wanted a parking space. Now you want it free.

[Laughter.]

MR. LAY: The answer is no.

[Laughter.]

MR. LAY: It will be very competitive within the other parking costs downtown, but, indeed, we do that, first of all, for financial or economic reasons and, secondly, we do that to encourage, again, as much use of mass transit, and car-pooling, et cetera, as we can. And let me say, as a city, we're probably going to have to do more of the latter over time just because of the EPA rules, and we're in a noncompliance area, and there are going to be maybe even some more draconian things come down the pike over the next two or three or four years. But like I say, we do want to provide you parking spaces, and we want to provide them at very competitive prices.

MR. SKILLING: This question relates to systems. "I work on the ECT LAN, and travel and use my laptop to connect to the ECT LAN for e-mail, et cetera. Prior to working at ECT, I was able to use the 1-800 number for connecting to Enron and my previous operating company system. The ECT tech people said that that can't be done."

It turns out it actually can be done. Some people can access the LAN through an 800 number, but the IT group is in the process of putting together a complete solution that will make it possible for people to tap into the



system. So the solutions are currently being tested in IT, and they are going to be rolling out sometime probably in the next couple of months. So I think that problem should go away.

MR. LAY: You see, Jeff is getting all of the easy ones.

[Laughter.]

MR. LAY: "Regarding the sale of EOG, Ken Lay was recently quoted saying, 'We will continue to explore opportunities to maximize the value of our investment in EOG.' Does Enron Corp plan to actively pursue buyers for its stake in EOG? Were any interested buyers, other than OMEGA, identified in the months subsequent to the unsolicited offer in December? If there is going to be any action taken with EOG, sale or otherwise, what are your thoughts on a time frame? With all of the uncertainty, now is not the time to be an EOG employee."

I think Jeff referred to this. I mean, clearly, the whole process has created a lot of uncertainty that we would prefer not to have had created, but keep in mind two or three things. Of course, one is it was an unsolicited offer. We were not trying to sell EOG, but a party did come to us with a proposal, a fairly complicated proposal, I

might add that did meet a number of our needs and appeared to be a fair value, both for us and for the minority shareholders, but through the process, of course, it became almost impossible to get the deal done. And of course, also, with the changing market values for exploration production companies, at the end, we withdrew the offer.

Now what will happen in the future? Just what I said. I mean, we'll continue to work with EOG to maximize shareholder value because we're still the majority shareholder. We don't have any plans right now, I mean, from the standpoint of trying to sell the whole company or sell our interests, but over time we may become a lesser owner in EOG. EOG, there may be other ways to increase value within EOG. But, again, we were not trying to sell it when the offer came to us. We're not trying to sell it right now.

There were some other offers for parts of EOG, but not for the whole company. So, really, the only proposal for the whole company was the one that came in December which, of course, we, in fact, turned over to the special committee to evaluate.

MR. SKILLING: This is a good one. "Regarding cleaning procedures, why has Enron changed the cleaning

procedures? The smell of food in the kitchen trash cans is going to cause a pest problem. What in the world is the deal with the cleaning staff? I get here at 7:30 a.m., and the trash hasn't been emptied, the rest rooms are the pits, the kitchen stinks because the trash and food from the day before is still there."

MR. LAY: I think that's Donovan again.

MR. SKILLING: It's Donovan.

[Laughter.]

MR. SKILLING: Bill, we've really got to clean up our act here, don't we?

[Laughter.]

MR. SKILLING: But, anyway, what's going on is, first, if you don't have trash picked up, we have a special number, which is hard to believe, but call 36300, and they will arrange a special pickup of trash.

And then, second, the building is looking at some new ways to improve housecleaning services. There has been a problem. As I understand it, the evening crews work part-time, and then they're coming off of another job when they come over, so they're probably tired and not all that enthusiastic about what they do.

[Laughter.]

MR. SKILLING: So we have just completed--isn't this amazing?

[Laughter.]

MR. SKILLING: We have just completed a trial approach to housecleaning on the third and fourth floors, where one service worker is assigned to the designated floor and works an 8-hour shift during normal business hours. This was not done to reduce costs, but to achieve better cleaning services. We are currently evaluating the results. If you work on one of these test floors and want to provide your feedback, you can also call the Facilities Help Desk at 36300.

And what is your extension, Bill?

[Laughter.]

MR. SKILLING: Oh, Bill is 6300. Are you 363--is that your direct dial? What's your direct dial?

[Laughter.]

MR. LAY: Whatever Bill's extension is, he's changed it tonight.

[Laughter.]

MR. LAY: "Do we yet know if those people that come in and work the 8 hours to clean our floors and go off and clean somebody else's building at night?" I presume

they--

[Laughter.]

MR. LAY: But we don't want a stinky building.

[Laughter.]

MR. LAY: And so if we've got some stinky trash cans around, I'm sure Bill and his team are going to do something about that.

"What plans are in place to go e-commerce with our products and services? Are there any plans underway to aggressively market and promote our website?"

I think it's a fair question of whether we're doing everything we can thus far on e-commerce, but it is something that's getting a lot of attention, and particularly ECT and Enron Europe are beginning to do quite a bit with it. Of course, Enron Europe may, in fact, be a little bit ahead of even ECT North America now, but some cross-feeding back and forth, I think you will see a lot more wholesale transactions done over the Internet fairly, fairly soon.

And, certainly, we're putting more information out on the Internet from the standpoint of prices and so forth on trades or market prices and so forth, but certainly this whole e-commerce thing is moving at incredible speed, and I

think it's a real fair question for all of us to ask in our individual departments, whether we're really taking advantage of it as much as we should, and it's something we're going to be spending more time on in the next few months.

MR. SKILLING: These are some questions about job postings. One question is, "Why don't--why doesn't HR post salaries for the job openings?" They're not posted for competitive reasons and confidentiality reasons.

"When you post for one of these positions, why isn't it mandatory that someone notify you the position was already filled or you're not qualified to interview."

You have every right to expect communication, and we should communicate that, so we'll see what we can do on that.

"Regarding, EOTT Energy job postings, they are not posted."

EOTT actually is a separate company with a separate HR group, but if you contact Mary Ellen Coombe, who heads up EOTT's HR Department, they can give you information on job postings over at EOTT.

"Are there more creative ways to inform us of job openings across the company and can these be kept

up-to-date?"

The job postings are listed on the Enron Intranet, and we're using it more and more to let people know what's new in HR on a real-time basis. We will try to do a better job updating the postings as fast as possible and seeing if there are other ways that we can communicate that with employees. That's important. We need to make sure the people can post.

MR. LAY: "After Azurix shares are priced, will there be a special time period for Enron employees to buy stock before the IPO?"

There will be procedures made for Enron employees to buy Azurix stock, and you'll get some information on that later this month. The road show on that just started this week, and we're hoping, of course, that that will be priced by early June. Now, obviously, all kinds of things can happen between now and early June, but employees will have an opportunity to buy Azurix' shares if they'd like to.

MR. SKILLING: Here is an employee that wants to upgrade their PC to a higher power PC, and their boss won't let them do this and yet the boss goes to sales meetings and gets Enron shirts.

[Laughter.]

MR. SKILLING: These shirts must be a problem.

"You want innovation. Cut these \$20- to \$30,000-off-site trips and give us the money for better equipment and more PCs."

Okay.

[Laughter.]

MR. SKILLING: Right now, about 60 percent of the PCs that we're installing--well, that's not really all that relevant. But we're putting in good computers. And, in fact, the turnaround time, the average time that a computer is with an employee is actually under 12 months. So people are being upgraded every 12 months, on average, across the company.

So, if you want to ensure that everyone, or if you want to improve your equipment, all I can suggest is talk to the IT Department in your business and see if you can get upgraded. But we have pretty good systems here. I guess it's never good enough, but I encourage you to talk to IT.

MR. LAY: And, again, as Jeff said, those shirts are really cheap.

[Laughter.]

MR. LAY: "I noticed that the senior VPs and other officers are unloading tons of stock: Rebecca Mark, 304,000;



Andy Fastow, 22,000; Stan Horton, 24,000; Rick Causey, 36,000, et cetera, et cetera. All are selling in the 68/69 range. This is making me nervous. What's going on?"

[Laughter.]

MR. LAY: Well, and again the main thing that's going on is that our compensation system does provide for more compensation based on performance, which in many cases is mainly stock options versus base salary and other cash-type compensation, and that's been true for the 10 or 12 years, at least the last 10 or 12 years. And we think it, in fact, has done well by the company because you do have your senior executives, and even middle-level executives that have a very strong interest in the stock price and work hard to make sure we do keep outperforming the market, as those earlier slides indicated.

But the other thing you need to understand is that many of the stock options that have been issued have been 5- and 7-year stock options, a few have been 10-year stock options, and, of course, if you don't exercise them, you lose them. And in many cases, many of us have been holding these stock options because we've had so much confidence in the company to the point where we're now down to either the last year or last few months before they expire, and then

they're worthless. And I expect if most of you had the option of either exercising them and bringing home some cash versus letting them expire, well, you'd probably do the same thing that these executives are doing.

So I would not, and I'll finally say, I mean, based on, based on my information and my experience on other boards, our executives keep these stock options for longer periods of time than most executives do in other companies; and, again, reflecting their confidence in the company, which I think is also good, but that means that they kind of accumulate, and after some point in time, then you've got to start disgorging some of those to make sure that they don't expire on you.

MR. SKILLING: I'll add to that, too. The other thing that you don't know from these filings is, in some cases, people have to sell stock to come up with cash for the exercise price in taxes, and they may be holding the stock that they get.

I know, in my case, I've exercised some options, and you'll be seeing that coming through, but I'm holding the stock, and it's for tax purposes because you have long-term capital gains versus short-term capital gains.

So I would expect that many of these people are

showing up as sales, the sales are just to cover taxes and the exercise price, and many people are hanging onto their stocks. So just you don't know from the filings.

Okay. "What are the chances that an on-site day care facility will be constructed at the new building? I would guess that about 90 percent of the parents here with young children use the same downtown day care. Day care centers currently--" Okay.

This does continue to be of great interest to employees, and we continue to seek a solution. Cindy and Beth Tilney, Cindy Olson and Beth Tilney, are leading a task force that is evaluating employee needs regarding on-site day care, and the possibilities under consideration include an on-site or near-site day care facility with back-up day care at another location.

The problem that we have is that any day care center has to be on a ground floor, and it must meet certain regulations such as having an outside play area, and that kind of land is pretty scarce in downtown Houston. So we're going to be looking at it, and the task force is looking at those options, and we'll notify employees once we get to some conclusion.

MR. LAY: "Why is Cinco de Mayo not celebrated at

Enron?"

MR. SKILLING: "Cinco de Mayo."

MR. LAY: "de Mayo," I'm sorry. I never was very good at languages.

But, indeed, we have a lot of Hispanic employees. We also have a lot of Hispanics living in our community, but they're not all from Mexico. Increasingly, of course, there's large Hispanic populations from throughout Central America, of course, even Puerto Rico, certainly South America, and what the U.S. Hispanic Chamber of Commerce has recommended and what Houston is getting ready to implement is that there basically be a month-long celebration of the Hispanic culture, and I think that gets kicked off this year; is that right? Later this year, I think October or thereabouts, and we will participate in that, but, again, trying to be inclusive of all of our Hispanic employees and Hispanic neighbors and so forth, versus just celebrating one particular special holiday.

MR. SKILLING: This question relates to EOG stock options. The first question is, "The EOG employees received additional options because of the value of EOG stock was underwater. I am now an ECT employee who had to keep my EOG options when I transferred to ECT and was told that I would

not receive additional options." So that was one question.

The second one was, "This question concerns the Enron employees no longer with EOG who are still holding EOG stock options. These employees still hold their options at the original grant price of 18.75 and were not included when current EOG employees were issued a new grant of 10-year stock options at a price of 14.19."

The answer to both of those is those additional options were granted not as a replacement for the old options, but were granted to retain and motivate EOG employees in the E&P job market. So those were two entirely different decisions, but all EOG employees or ex-employees did benefit, that are still with Enron, did benefit because of some enhancements to the stock option program at EOG.

For example, the terms of the bonus option grants that were made in 1994 through 1997 were extended from 5 years to 7 years, and certain option provisions were improved. So everyone benefitted from some modifications, but the additional options that were granted were not related to prior options and were not linked together.

MR. LAY: I think after one more, we'll get the cards here, and it looks like we've covered a lot of these, so it should go pretty quickly.

"Why does management allow the surveillance of employees through hidden cameras in the workplace? This doesn't seem to align with our vision and values."

I think what's being referred to is probably over in Allen Center 3. To my knowledge, in Allen Center 4 or in the Enron building we don't have, at least except for maybe the lobby and of course doors in and out of the garage and so forth, and what I'm told is we've had a real rash of robberies over there, mainly computers, but other things because they don't have the security in that building that we have in our building.

Of course, we do, as you well know, have some controlled access to our elevators, and we have security on duty all of the time down in the lobby, and I think where we were having a lot of problems with people wandering in and carrying out certainly pocketbooks, and occasionally computers and other things a few years ago, that has all pretty much stopped in the Enron building, but it has not been stopped, I mean, it still exists over in Allen Center 3.

But more to the point of privacy, and vision and values, I'm told that those cameras are only on the doors or different exit points basically just trying to pick up if

people are carrying stuff out, and of course monitored so that, in fact, that can be intercepted and hopefully stop the stealing.

So I hope that answers the question, and certainly we'd prefer not to have them, but we also don't like--I mean, we might have even a more difficult time getting these new computers to everybody if we have a lot of our new computers being stolen all the time.

[Laughter.]

MR. SKILLING: "Is the new building going to be energy efficient?"

Are you kidding?

[Laughter.]

MR. SKILLING: We're in the energy business here. How do you think we keep that growth rate going?

Actually, the building is going to be very energy efficient. Bill, are they any--do you have any comments on that? We're going to have--

MR. DONOVAN: Very efficient.

MR. SKILLING: Very efficient.

MR. LAY: Very efficient.

[Laughter.]

MR. SKILLING: No, but it will be the latest

technology in energy efficiency, so it should be a very efficient building.

The second part of the question is, "What about sliding polls, as in fire stations, to really improve communication in the new building?"

[Laughter.]

MR. SKILLING: I think that's a great idea. Can you imagine doing that 40 stories, sliding down a pole.

MR. LAY: I thought you'd like that, Jeff.

MR. SKILLING: I like that.

MR. LAY: I wish you wouldn't have given Jeff that idea. That's the kind of the thing he'll take and run with.

[Laughter.]

MR. LAY: "The operators would like for all employees to contact us when there is a change in location or extension. We get a lot of angry customers and employees when we don't have the correct information."

I guess that's the question. I'm not--I suppose that's just asking if people would be a little bit more careful about making sure, if they change location or extension, that the operators know so you don't get some bad calls or get some calls, and you can't transfer them. That's reasonable. So, hopefully, people take note of that.



If you leave, make sure you tell somebody you're leaving.

[Laughter.]

MR. SKILLING: This question asks, "Will there be an IPO for Enron Communications? And, if so, will Enron employees have early access to the IPO?"

As you all know, we are doing an IPO on Azurix, and employees will have access to IPO stock. Enron Communications, we've actually looked at it, and we've investigated how something like that would work, but we have currently no plans for an IPO in the communications business. We think that there are many facets of that business that make it very similar to our existing businesses, and particularly as this bandwidth trading activity expands, and we would like to maintain as much ownership in the company as we can for as long as we can. So we do not anticipate an IPO of the communications company.

MR. LAY: Take a handful.

"Read other side first." Okay. That's good.

[Laughter.]

MR. LAY: "To continue the tradition of innovation and cutting edge environmentally friendly power generation, has Enron begun any consideration of developing the

technology of solar power satellites, perhaps in partnership with NASA?"

Do you want to go into space, Jeff?

MR. SKILLING: No thank you.

MR. LAY: "A solar-powered satellite is a large array of solar cells constructed in Earth's orbit from lunar materials. They convert sunlight to microwaves that are beamed to a large collector on the ground. The microwaves are converted into electricity--" That reminds me of a song.

[Laughter.]

MR. LAY: "--and fed into the power grid."

That's fascinating.

[Laughter.]

MR. LAY: No, we have not considered it yet, but I will look at this New Frontier magazine--no, it's the High Frontier, I'm sorry, High Frontier. That's fascinating, but that's not in our business plan right now.

MR. SKILLING: "What is the plan for the sale of Enron's investment in EOG? What is the target share price? Please don't give the standard answer that we are always looking for ways to maximize shareholder value."

[Laughter.]

MR. SKILLING: They know us too well, Ken.

MR. LAY: I know it. They're getting tired of that answer.

MR. SKILLING: Well, Ken has already answered that. We are always looking for ways to maximize shareholder value.

[Laughter.]

MR. SKILLING: But we will be investigating alternatives as they come up. There is no time line. There is no target date. There is no target price. We will just see what happens.

MR. LAY: This one I'm reading just because I like it.

"When will Enron's stock split? Do you have a target? I love Enron."

I think we've answered that. Certainly, it's something we're looking at, and we'll keep looking at and keep you advised.

"Are plans underway to enlarge the Body Shop? The men's side is getting very crowded." I expect the women's side is too.

[Laughter.]

MR. LAY: That's all part of this process with the

new building. I mean, we're really looking at everything right now. And, certainly, we know that the Body Shop is getting crowded, and that's good. I mean, first of all, because it's being used a lot, but obviously as our population--our employee population increases, we've got to expand it or do something to it.

Bill Donovan over here is nodding his head. I mean, the same person responsible for kind of stinky trash cans and you know for doing away with the Express Shop, he's going to solve Body Shop problem.

[Laughter.]

MR. SKILLING: "Will the new garage replace the Allen Center spaces or is it in addition to them?"

It is clearly in addition to them. These will be new spaces.

MR. LAY: New spaces.

This, I think, we've answered mostly, but, "How will parking in the new garage be allocated to employees? Will employees in 3 Allen Center be given preference because of proximity?"

It'll all be kind of random like it is now, but the reason I kind of stumbled over that, I mean, again, the new garage will be immediately, if the streets were

parallel, really running north and south, east and west, which they're not, but it will be immediately east of our building, right across the street from our current building.

So it will be closest, of course, to the new building and the old building, but not 3 Allen Center, but it will probably free up spaces over in the old garage or the current garage in 3 Allen Center, which will be closer to 3 Allen Center.

And the cost, we've already addressed that, I think.

MR. SKILLING: "Will the communication business go global?"

Yes, they are looking at it very aggressively. They have people in South America currently and are looking at a couple of opportunities in Europe, so the business will go global quickly.

MR. LAY: "There seems to be a wide difference in HR, Human Resource, rules across the company. For instance, some groups within the same department are told different things or allowed different work privileges, such as flex time. Is there an effort underway to make this process more equitable or to standardize it?"

Rocky is nodding, yes. There is some reasons for

that, though. I mean, most of you know that have been here for a while, I mean, we have given the individual operating companies quite a bit of flexibility in things like that, including the individual departments within companies, to really determine what works best for them, for that operation and the company.

So I expect, even if we standardize it, there's still going to be a lot of flexibility within the company as to how different departments or different groups will, in fact, implement things like flex time.

MR. SKILLING: "I heard the new building is blast proof. Is this true? Is it the first in the U.S.A.?"

It depends on how big the bomb is.

[Laughter.]

MR. SKILLING: But, no, actually, we are putting additional concrete in the building to make it blast resistant in the wake of the Oklahoma City fiasco. So it should have better blast tolerance than a typical building. I don't believe it's the first in the country that will be that way; is it, Bill?

Don't know. Okay.

MR. LAY: But that was one of the early considerations, and that did cost some extra money, but,

certainly, we thought it was money well spent to hopefully provide a little additional protection to our employees.

"Cultural and religious diversity are an important part of our Enron philosophy. Have we ever considered making some or all holidays discretionary, especially religious ones?"

Of course, we have some discretionary holidays now, and I'm sure you're speaking particularly of our holidays around Christmastime, but we're trying. As many of you know, going back to the last almost two years or a year-and-a-half or so now, we really are trying to be very sensitive to the religious and, of course, other differences among our employees, getting back to the diversity question.

I think this all started when I walked in the building about Christmastime, about a year before last Christmas, and it kind of struck me, you know, we've got an awful lot of employees here that aren't Christians, and so we are now trying to really be very sensitive and conscious of the fact that we have Muslims, and Hindus, and Buddhists, and others in our employee population and even trying to acknowledge the different special dates in their religions and their cultures.

Again, I hope that's all part our, the comments I

made earlier, trying to make Enron a lot more inviting to a much wider and more diverse population of people, which is the way we continue to lead not just our industry, but all of American industry in innovation and creativity and really have the intellectual capital we need to move into the next century.

MR. SKILLING: I just have a question here from someone who wants to know who to get in touch with to get a mentor in EES.

So Cindy Olson or Beth--call Beth Tilney,  
Extension--

MS. : [Off microphone.] [Inaudible.]  
[Laughter.]

MR. SKILLING: 35022. That's Beth Tilney's extension, and she will help you get a mentor.

MR. LAY: Okay. Have you got one more there?

MR. SKILLING: Two.

MR. LAY: Okay. "To improve access to much-needed conference rooms, could we consider a centralized scheduling system for a majority of the conference rooms in the Enron building? It seems many groups, while using other group's conference rooms, are reserving their conference rooms for themselves."



Well, that's kind of selfish.

[Laughter.]

MR. LAY: I would prefer not to go to full centralized, although we have a quasi-centralized on some floors, I think, particularly, on 49, 50, 50M. I think that is pretty well centralized and coordinated.

I didn't point out, but the very top floor in the new building will be exclusively reserved for conference rooms and training rooms. I think the two top floors, as a matter of fact. Is it the top floor or two top floors now, Bill?

Top floor. And certainly in the new building, we talked about this, but we're going to be adding a lot of new conference rooms. Now we hope we don't stimulate more conferences and more meetings, but we do understand right now, and again just the growth in the population, that quite often it's difficult to find a good meeting room.

But we'll have some people come and look at this and see if there's anything that makes sense to make it easier, to make sure that those that really need conference rooms get them.

MR. SKILLING: This question relates to, "I sent several qualified applicants to the EI HR Department. This

was six weeks ago. The referrals were lost, and there's been no effort to respond on this issue. Had to explain to these applicants that I do not understand the problem. How do you think this reflects on Enron?"

Well, it reflects pretty poorly. There are a lot of people who apply for jobs at Enron, and for many of them it's really their only contact with Enron or first contact with Enron. And I think we ought to be pretty serious about getting back to people and making sure that they know that we appreciate the fact that they came to the company or are interested in working at the company, and I think that does reflect poorly on the company if we don't get back to them quickly. So it's something I think we all need to think about.

MR. LAY: "Why can't parking fees be deducted from pre-tax dollars?"

I expect because it's illegal, but--

[Laughter.]

MR. LAY: But I'll certainly have it looked at. I mean, if, in fact, there's a good way of doing that, I mean, we'd be happy to, but I'm quite sure that that will probably not qualify as something that the IRS wants us to deduct from pre-tax dollars, but we will look at it.

MR. SKILLING: And then the last one I've got, "What accommodations are there in the new building for a gym?"

Are we doing anything in the new building or are we just going to maintain the existing?

MR. LAY: We're looking at that.

MR. SKILLING: So we're going to renovate the existing gym and expand it, and I guess more locker space.

MR. LAY: Or maybe a whole new floor.

MR. SKILLING: And another whole floor. So the existing gym will stay where it is, but it will be expanded and go down an additional floor, and we'll add lockers, and showers and I think some other things too. So it will be a nicer facility when it's done.

MR. LAY: Have you got another one?

MR. SKILLING: No, that's it.

MR. LAY: That's it. Okay. Well, 4:30. So we're really kind of right on time. Appreciate, again, all of you coming.

I hope you have dedicated from what Jeff and I have both said. The company is doing great. But we're doing great because you're doing great. And, in fact, this unassailable advantage that we talked about is getting wider

and wider, and it's really fun and exciting. A lot of good stuff going on.

So thanks for coming over and just keep up the good work.

Thank you.

[Applause.]

[Whereupon, the meeting was concluded.]

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